

# M HENDERSON

## Proposal and Comment Information

**Title:** Check Services - Request for Information and Comment on the Future of the Federal Reserve Banks' Check Services, OP-1874

**Comment ID:** FR-2025-0077-01-C238

## Subject

Docket No. OP-[1874] - comments

## Submitter Information

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My comments regarding Docket No. OP-[1874] are under each of the questions asked by the Federal Reserve in the publication. Thank you for considering, M Henderson in Colorado

1. What is your view of the importance of the Reserve Banks' check services in the United States today? How should the Federal Reserve's role in the provision of check services evolve over the next 3 years and over the next 10 years?

With 11 billion checks written in 2021, I would say that the importance of check services is quite high. Although a small percentage of the total transactions, 11 billion checks are written by a large number of persons who may have great constraints and difficulties going to electronic transactions.

2. What aspects of the Reserve Banks' current check services (for example, deposit deadline options, how quickly checks are processed, discrepancy resolution services, and options for sending a check back as a return) are the most critical, and why?

As a check writer, how quickly the checks are processed are of importance to me in having funds available. Regarding the other issues, I do not have comments.

3. Generally speaking, what would be the impact of different potential strategies for the Reserve Banks' check services, including those discussed above: (1) continuing Reserve Banks' check services largely as they exist today with significantly degraded reliability over time, (2) significantly simplifying Reserve Banks' check services, (3) substantially winding down Reserve Banks' check services, or (4) upgrading the Reserve Banks' check-processing infrastructure to support existing services and reliability? Are there other strategies you believe the Reserve Banks should consider?

1 - Continuing and degrading reliability is NOT a good option. No one should plan to degrade services and reliability. What is a strange question coming from a banking institution where reliability should be the highest importance.

2 - Simplifying would seem a good option.

3 - Winding down would not seem a good option considering 11 billion checks were still being written in 2021--a long way from winding down.

4 - Upgrading services and reliability would be the best option.

4. Would you, your organization, or your community be willing to incur additional costs and fees to continue to use or process checks as you do today? Why or why not? Would you, your organization, or your community be willing to make additional investments such as enhancements to check security features in support of continued use of checks in the future? Why or why not?

Depending on the amount of costs and fees, I would support being able to use checks as I do today. If I were to switch to electronic means, there would be processing fees charged--and those can be significant. For example, 2% +/- is charged for processing credit cards on such as pay1040.com. Banks will charge us fees one way or the other and if we have only one option (electronic and not checks), they may charge whatever they wish since there is no competition to the method chosen.

Making investments and enhancements would be acceptable. Again, this would be an investment in the US infrastructure for checks and not an investment in commercial banks. So I would support that.

5. If your organization relies on the Reserve Banks' check services, directly or indirectly, to what extent could alternative providers offer similar services that meet your needs over the next 3 years and over the next 10 years? For instance, are there unique benefits of the check services provided by the Federal Reserve that are not otherwise available in the industry?

The unique benefits to using checks in my case related to my age, location and methods of payment that my clients and my vendors accept. I live in a rural area where a drive to an ATM to get money/cash can be as much as a 70 mile roundtrip depending on where I am that day. I am older and am aware of the risk of using an ATM (robbery). To get cash, I much prefer to cash a check for over the amount at a store, or drive to a bank to get cash. An ATM will charge me fees, also. As a senior, I am looking to reduce costs when possible. I pay local services by check (plumber, electrician, yard help, etc.) because they are small operators and are not set up to take electronic payments or credit cards. In a rural area, I believe this is common. If I couldn't use checks, I would have to maintain a large amount of cash on hand which is somewhat unwise. A cash economy would lead to poor records and unreported income by some. Also the check serves as an easy record of payment. Although electronic records are kept, for my purposes the check record and bank statement are best. I also work under contract. The entity I work for does not do direct deposit and so I must be paid by check. Therefore, I must be able to mail or deliver the check to the bank to deposit my earnings. There are times, too, when electronics are down nationwide and sometimes locally (power lines, cable failures, etc.) and it is convenient to be able to give the merchant a check when the credit card reader won't work.

While there may be issues of fraud with checks, I am more troubled about financial security with the hacking, phishing and electronic cyber risks that occur EVERY day via my computer. At least I can deliver my check to the bank and their software recognizes my signature and I can supply IDs.

I do not know a system that would address these circumstances to meet my needs 3-10 years from now, especially if my service folks and employer do not change their ways of payment acceptance and distribution.

6. How important are checks to you, your organization, or your community, and how challenging would it be to use alternative payment methods? How might the importance of checks and the challenges associated with using other payment methods change over the next 3 years and over the next 10 years?

The checks are HIGHLY important to me and my community for the reasons described in #5 of this commentary.

I suspect there will be continuing changes to payment methods over the years, but I do not think they will cause the need for checks to go away completely for many people.

7. What are the unique aspects of checks that lead users to continue to use checks?

I mentioned these in #5 and 6 of this commentary. Additionally:

Hand delivering a check to a person or bank assures that it went where it should and they ID you by sight, signature or knowledge of you as a customer. With electronics, someone with a password can divert money quite easily. Cybercrime is rampant.

Checks can be used when electronics are down.

Checks can be carried for emergencies when you might not have enough cash on hand to cover the problem immediately, paying someone who might not be set up to take electronic payments.

8. How could other payment methods offer the same benefits as checks if they do not already? Are there any barriers that prevent alternative payment methods from offering the same benefits as checks, or other constraints on adoption of these alternatives?

Barriers are addressed in the above commentaries, but to summarize:

1. Electronic failures occur off and on so you are unable to make payments at those times.
2. Some local vendors and services do not process credit/debit cards. (Also I do not want to give my card information to small vendors who lack IT proficiency and staffing.)
3. Some employers do not do direct deposit.
4. IF you get paid in debit cards, then you have to figure how to use those with vendors who will take them--which might not occur soon so your money is tied up a long time.
9. Do you have any planned or ongoing efforts to transition from checks to electronic payments, and why or why not? How can particular communities that may still need to rely on checks, such as the elderly, rural populations, and low- or moderate-income households, be better served?

I already use electronic payments in a sense. I charge to a credit card my recurring bills (electric, water, sewer, trash, insurance, etc.). When the bill comes, I pay it by check. This allows me to have both electronic proof of payment and check proof of payment. I do not want to give anyone access to my accounts through a debit arrangement as I do not trust companies and IT departments--there's always room for MAJOR error. Hacking is a bit concern and the credit cards I use do not require I pay if fraud is involved. So I add this layer of separation to assure I am only paying for what I charged. There is more protection for me this way.

I prefer charging all my recurring bills and then paying ONE large bill with a check. It is much easier and the auto-charge keeps me from missing a payment in error. Then through the credit card records I have a full record of each year which helps with analysis of my costs and payments.

10. What benefits and risks to the payments system and to the public should the Board consider as it assesses potential strategies for the Reserve Banks' check services?

Benefits and risks are somewhat discussed in my prior commentaries, but I think the largest risk is that some sectors of the populations (which you identified as probably elderly, low-income, rural) have services they depend on ELIMINATED and of course, they will pay MORE to the banks and services as fees for electronic transfers. Also, realize that means they all need computers, cell phones or ipads to make payments. Those are EXPENSIVE and of course, they all have to be updated as electronics progress, so it is a major expense. It would be cheaper to pay a small check fee than buy cell phone to make payments via it. Also, they need to know HOW to make these electronic transfers which may be difficult for some and cause errors that are difficult to resolve.

Eleven billion checks were written by folks who have found that best serves them. That should be respected. The government needs to realize that not everyone is able to switch to electronic transmission, nor can they afford to be or necessarily know how to.

In addition to these questions above, the Board invites comments on any other considerations it should assess as it evaluates the future of the Reserve Banks' check services.